

MINUTES
GAMING ADVISORY COUNCIL

November 15, 2002
Scott Hart Auditorium
Helena, Montana

Please note: This is a summary of the Council meeting. The meeting in its entirety is on tape at the Gambling Control Division office at 2550 Prospect Avenue, Helena, Montana. Exhibits are on file in the office of the Gambling Control Division.

COUNCIL MEMBERS PRESENT

Senator Dale Mahlum, Chairman
John Tooke
Tom Scott
Tim Carson

Steve Morris
Bill Thomas
Dennis Taylor
Rep. John Witt

DIVISION STAFF PRESENT

Gene Huntington
Rick Ask
Kathy Fisher

Ben Kamerzel
Kathy Baertsch

SUMMARY OF COUNCIL ACTION

- ♠ **Attorney General McGrath thanked the Council for the work and advice on many issues.**
- ♣ **Ben Kamerzel presented an update on the AARS system. A motion was made and approved unanimously to add "and/or registration" to LC 157 pertaining to the certification of technicians.**
- ♥ **Neil Peterson discussed LC 158 - the combined application legislation. A motion was made to approve LC 158 for legislation. The motion passed unanimously.**
- ♦ **Discussed proposed legislation prohibiting Internet gambling. Motion passed 5-3 to table the issue.**
- ♠ **Discussed the Council's Biennial Report. Motion passed unanimously to allow the Chairman to approve the final report and for the Division to distribute the report to the Legislators.**

- ♣ **The Council will have an organizational meeting the last week of the legislative session.**

CALL TO ORDER AND ROLL CALL

Chairman Mahlum called the meeting to order at 10:05 a.m. Roll call was taken. All members were present except for Kevin Howlett, who was excused. The minutes from the August 23, 2002 meeting were adopted unanimously.

ATTORNEY GENERAL MIKE MCGRATH

Montana Attorney General, Mike McGrath addressed the Council. The Attorney General explained that he had reviewed the proposed Advisory Council biennial report and stated that the Council had dealt with an extraordinary amount of issues and had accomplished a great deal in the last two years. Mr. McGrath thanked the Council for their work and advice on the many different issues.

UPDATE ON AARS SYSTEM

Ben Kamerzel, Technical Services Section Supervisor, gave an update on the progress of the AARS system. Mr. Kamerzel stated that the Division had met with the industry to discuss proposed rules relating to the system. He explained that testing is progressing and that 60-70% of the criteria has been met. The system was producing tax invoices and the Division is now auditing for problems. Mr. Carson asked if permitting of machines would be an option and Mr. Kamerzel stated that it would not. Mr. Carson asked if the Division would investigate the cost of ticket validation and Mr. Kamerzel stated that ticket validation was not a part of the criteria for bidding on the system - it was discussed but it was not a requirement.

Mr. Huntington stated that rules will not be initiated until after the legislative session and that a sub-committee could be formed to develop rules during the winter. When the Beta testing is undertaken the Division will buy the equipment and the establishments will get to keep the equipment for participating in the testing. Mr. Huntington reviewed LC No. 157. Mr. Tooke asked if the \$250 tax credit was still viable considering the economic climate of the state. Mr. Huntington responded that the impact on the general fund is smaller with the smaller number of machines being hooked up.

Mr. Carson asked when software should be submitted for approval on the multi-game format. Mr. Kamerzel stated that there is no time to test the multi-game software at this time, but as soon as Beta testing begins software could be submitted for approval.

Mr. Huntington discussed the section of the new rules relating to training and certification of AARS technicians. Mr. Carson suggested that the Division doesn't want

to be responsible for the certification. Mr. Carson suggested certification of a trainer who would then train technicians and send in registration. Mr. Taylor moved that "and/or registration" be added to New Section 6 of the proposed legislation. The motion passed unanimously. Mr. Taylor also moved to approve LC 157 for legislation. The motion passed unanimously.

PROPOSED COMBINED APPLICATIONS LEGISLATION

Neil Peterson, Department of Revenue, Customer Service Center, discussed LC 158. Mr. Peterson stated that the average time for a combined application is now 71 days. Mr. Peterson explained the changes to Section 6 and Section 10 concerning fingerprinting. Anyone who has done a personal history form in the past will have to do a fingerprinting card. In the near future social security number background checks will not be allowed. Steve Morris moved to approve LC 158 for legislation. The motion passed unanimously.

OTHER LEGISLATION

Mr. Huntington discussed the legislation concerning the video gambling machine permit fee increase, the statute of limitations and revocation of lapsed licenses. There were no changes in the proposed legislation since the last meeting.

INTERNET LEGISLATION

Mr. Huntington discussed the need for legislation to address internet gambling. Mr. Tooke stated that without Federal legislation on internet gambling, state level jurisdiction is superfluous. Mr. Carson agreed that it first needs to be dealt with on a federal level. Mr. Taylor and Rep. Witt stated that federal law is not the issue, the Council needs to decide what is good for Montana.

Gerald LaChere, Director, Montana Lottery, discussed the fact that the lottery terminals communicate through the internet and that this is a very cost effective process for the lottery to communicate with retailers.

Mr. Tooke commented that he is concerned for future gaming prospects utilizing the internet intrastate for future state gambling revenues. Mr. Carson was interested in how the state would enforce a ban on internet gambling. Mr. Huntington responded that the federal law only deals with the credit card side of internet gambling.

Rich Miller, Gaming Industry Association, stated that he believes that this is premature and that the issue needs further study.

Mr. Tooke moved to table the issue and the motion carried 5-3.

RULES RELATED TO NEW VGM GAMES

Mr. Huntington discussed the need for rules related to new video gambling machine games. He stated that there is a need for guidelines to protect against unscrupulous practices. Technology has come a long way since the original rules were set up in 1987 and 1989.

Mr. Carson stated that the Scarnes book is antiquated - Scarnes died in 1982 and there is a need for more variety in the games. Mr. Tooke agreed and stated that the industry is static. Mr. Scott stated that he would be in favor of increasing the entertainment value for customers without changing the probabilities on games.

Mr. Huntington said there is a need to develop a checklist given the new technology and the need for new policy. A subcommittee was appointed to review this issue and bring recommendations to the Council. Dennis Taylor, Chairman, Tim Carson and Tom Scott will be the members of this subcommittee.

DIVISION REPORT

Mr. Huntington presented a report on activities in the Division. Topics included budget reductions, revenue, permits and the combined application. He explained that new gambling machine permits jumped in October with 490 new permits compared with 225 permits for October 2001. Mr. Carson commented that he believed the increase in permits was due to the new rule allowing \$10 and \$20 bill acceptors.

BIENNIAL REPORT

Mr. Huntington reviewed the draft of the Council's Biennial Report. Chairman Mahlum wants this report to be distributed to the Legislature prior to the session. Mr. Thomas moved to allow the Chairman to approve the final version of the report and then have the Division distribute it to the Legislators. The motion passed unanimously.

FINAL BUSINESS

The Council agreed to have an organizational meeting the final week of the legislative session. The meeting adjourned at 2:25 p.m.